

**CHATTANOOGA–HAMILTON COUNTY BICENTENNIAL LIBRARY
1001 BROAD STREET
CHATTANOOGA, TENNESSEE**

MINUTES

BOARD MEETING – MAY 20, 2010

4:30 P.M.

The Board of Directors of the Chattanooga–Hamilton County Bicentennial Library met on May 20, 2010, at 4:30 p.m., in the Board Room with Mr. David Turner presiding.

The following members were present: Clif Cleaveland
Herb Cohn
Mai Bell Hurley
Doris Kelly
Rickie Pierce
David Turner

Also present were, Kim Fahs, Friends' Executive Council; Steve Keown, Treasurer, Friends' Executive Council; David Clapp, director; Eva Johnston, assistant director; Andria Davis, community relations coordinator; and May Langmann, administrative assistant.

APPROVAL OF THE MINUTES OF THE APRIL 20, 2010, BOARD MEETING:

Dr. Clif Cleaveland moved that the minutes of the April 20, 2010, meeting be approved, Mr. Herb Cohn seconded the motion and the minutes were unanimously approved and carried.

A quorum was not present. Approval of the minutes will be ratified the next time a quorum is present.

TREASURER'S REPORT:

Ms. Mary Lou Drazich was absent. Mr. David Clapp reviewed the April financial statement.

Income:

Mr. Clapp said we are on target for receipts. The Endowment interest of \$33,638.21 is the last installment from First Tennessee and Globalt.

Everything else other than the library store are where we expected them to be at this time of the year.

Expenses:

We expended all we needed to on the pension fund.

Under Services and Rentals, contract services included a variety of different contracts that all came due at this particular time.

We are otherwise on track across the board for expenditures for the year and we will not have to go into our reserve funds at all.

On-Demand:

The main reason we don't have our reservoir of money this year is because we have been using it to buy downloadable books to match our rental program. We have \$216.04 left from that. We had income of \$3,702.00 in April and had expenses including payments to Overdrive of \$4,971.97.

Mrs. Mai Bell Hurley asked Mr. Clapp about the budget presentation which she was unable to attend. She asked if the council members and commissioners understood the huge amount of money we were asking for in our budget. Mr. Clapp replied that Commissioner John Allen Brooks spoke out and told them about the OPEB money and why it was there and Mr. Louis Wright said they had put it in for the County as well so Mr. Clapp believed it was understood and certainly, Mr. Wright knew why it was there. Mr. David Turner commented that Mr. Wright was a bit more forthcoming in saying this is happening all over.

Mr. Clapp said one issue that has come up is that we had to make these guesstimates for payments to the City for Ingram and Baker & Taylor. They are trying to shoehorn everything into their Oracle database which means they want us to do our ordering differently. The compromise they asked for is for us to give them a total amount for our major book contracts – one for Ingram and one for Baker & Taylor. Our estimate for Ingram was \$6,000 short of what we actually expended and the City wants to get Board approval for adding \$6,000 to the Ingram portion. Mr. Clapp asked the Board for a vote to approve this.

Mr. Herb Cohn moved that the Board approve \$6,000.00 to be added to the Ingram book contract. Mrs. Mai Bell Hurley seconded the motion and it was unanimously approved and carried.

Mr. Turner said he had not reviewed the endowment report so that will be discussed at next month's meeting.

FRIENDS' REPORT:

Mrs. Kim Fahs introduced Mr. Steve Keown, the Friends' treasurer, who she brought to discuss the financial concerns alluded to in Mr. Clapp's Director's Remarks.

Mrs. Fahs said they are still exploring sites for the book sale and a decision will be made in June. They are presently working on the staff appreciation event. The Summer Reading Program is gearing up. The Friends help with volunteering and also give \$14,000 to help with that program.

Last month some of the branches used some of the Friends' budgeted funds for landscaping projects. This year the Friends have budgeted \$11,500 for specific marketing campaign that Mr. Clapp had suggested and Ms. Andria Davis is about ready to start using some of those funds for banners, signs, furniture, and shelving to help with the marketing campaign. Last week the Friends signed a grant that Ms. Davis did in the Friends' name to the Community Foundation for marketing campaign items and they also received a \$6,000 literacy grant done by the staff in the Friends' name.

CLUB LIB:

Mr. Turner asked Ms. Davis to give a brief report on *ClubLib*. Ms. Davis said she emailed the steering committee and a 2010 *ClubLib* committee adjunct. People are so excited they want to help us so we will use them. They have created a scale where people can earn a ticket by bringing in \$5,000 or \$10,000 sponsorships. They will get one free general admission ticket for a \$5,000 sponsorship. They want to motivate these volunteers who are working with us.

Everything is going well. The Splash page for the website looks great; the other pages are coming along soon. Mr. Clapp said we will be getting a \$1,000 grant from Kiwanis.

Ms. Davis said we have \$30,500 in sponsorship and pledges that she knows of. Lisa Nausley has \$3,000 – \$4,000 more that have not been confirmed on Ms. Davis' spreadsheet. Our goal is \$100,000 this year. Mr. Herb Cohn clarified that this would be \$80,000 in sponsorships and \$20,000 from the auction. That is the reason, Ms. Davis said, that they want to give this ticket incentive. Mr. Cohn commented that the band *ClubLib* is getting is supposed to be the hottest thing in the Southern part of the U.S. and that everybody who is anybody knows the group. The group is called "Here Come the Mummies" and they have their own website. *ClubLib* will be their only performance in the area at that time. Mrs. Mai Bell Hurley asked how much they cost and Ms. Davis said \$8,000. Mr. Cohn said the *ClubLib* committee chairs think we will have 650 – 700 people for *ClubLib* this year.

DIRECTOR'S REMARKS:

Mr. Clapp said that one of the items in his Director's Remarks he wants to pass to the Board for their approval is closing the library on the Sunday before Memorial Day.

Mrs. Mai Bell Hurley moved that the Board approve closing the library on the Sunday before Memorial Day. It was unanimously approved and carried.

OTHER MATTERS:

Mr. Clapp asked Mrs. Hurley how long she thinks we should wait realistically for the City and County to work on the sales tax agreement if there is going to be a substantial change. Would they need to start working on it by January? She replied that she is not sure because there are four different things going on: the City's tax increase; consolidation/metropolitan government; annexation, and the sales tax. Mrs. Hurley added that she thinks Mayor Littlefield will still do something but she does not know what. She also said we all should be for tax increase because they need to have a tax increase. We have not had one since 2001 and whether it is \$0.60, she suspects Mayor Littlefield named a high number so he can compromise, but you just cannot go 9 or 10 years without some kind of tax increase.

Mr. Clapp wondered whether they would possibly approve a partial funding of automation as a bond measure. If they could put the equipment separate, that would cover about \$750,000 of the \$850,000 we requested. Mrs. Hurley said she did not know what their bond picture is, whether they will have any other bond levies or not.

Mr. Steve Keown said there are a couple of issues the Friends want to discuss. The Friends is a 501(c)(3) separate organization with a separate board and they raise a certain amount of money directly and then funds that are essentially raised by the library staff in the Friends' name come into the Friends' bank account but are never really accounted for by the Friends in their annual report. The issue is not that they don't want to do it. Instead, they looked at their fiduciary responsibility for managing these funds+6./.. Essentially, they just felt like the Friends' Board has to exercise some control over all the money that comes into their bank account. There have been certain funds that have been earmarked and never gone through their budget and never been through an approval report to support it. If we can come to an agreement where there would not be contention between the Friends and the people that want to use the money, then they can have appropriate approval and review and accountability. The Friends could continue but he thinks that the deal was that they do not want a situation of continual contention over how to handle these funds.

Mrs. Fahs said that grants are not a problem because they are very specific as to what they are for. The problem is the amount of money that *ClubLib* has raised over the years which is great, except for that "you get your hands slapped if you are a Friends person asking about it". *ClubLib* is not technically a Friends' function but the Friends have a fiduciary responsibility because the funds are raised in the Friends' name. They issue receipts and pay tax-exempt for things in the Friends' name. Mr. Keown said it feels like the Friends are being used for a "shell" to avoid something and those who are presently on the Friends' Board are not comfortable with that.

Mr. Cohn asked what would have to be changed in order for the Friends to be comfortable with it? Mr. Keown said, like any other organization, instead of just having the library staff be able to come in and draw the checks, there should be some kind of requisition process; just some basic accountability and oversight. Mrs. Fahs said somebody from the Friends can be in the *ClubLib* committee (and they have that this year). There is somebody from the Friends on the committee so that it looks like at least if the IRS comes knocking, they can say they had somebody there. She says the Friends can take recommendations from Ms. Davis or from Mr. Clapp when he tells them what the staff needs. Mrs. Fahs thinks a foundation for *ClubLib* would not be a bad idea; her concern is if the foundation starts getting into other areas like taking books and selling them, then the Friends are not going to have anything to raise for the library. For instance, the book sales are a lot of work and maybe it would be easier to sell them online or whatever, but it takes the community out of it and that's how they keep the community support for the library by doing something like that. She would hate to lose all the fund-raising things the Friends do.

Mr. Turner said he is having a difficult time understanding – is there a conflict between the Friends and *ClubLib*? Mrs. Fahs said she thinks the conflict is the Friends feel like things have to be a bit more transparent and they feel like the Friends' treasurer needs to start writing checks, or at least, also sign the checks. Mr. Clapp signs all the checks and he's not a Friends board member so there are control issues there. Essentially, too, in the past when they did the 990, there appeared to be some resentment when the Friends asked questions to verify or explain details on the discretionary fund. Mr. Turner asked if the Friends' money and *ClubLib* money got intermingled? They are in the same account and are accounted for, Mr. Keown said. They have a good set of books where Dianne Long, the Friends' administrative assistant, keeps everything separate but it is in one bank account. Mrs. Fahs said a real concern that brought this to a head is that that money has not been recorded for many years because it was "pass-through" money; it was not the Friends' money. The Friends are having to file last year's tax return again. Mr. Keown said the whole non-profit area is a minefield now. The Friends have been filing 990EZ for years because all that money has been excluded because what the Friends have been through in their account in their name only has been under \$100,000 a year. With this *ClubLib* it will be \$200,000 or more and the expenses and disbursements have not been reported.

Mr. Clapp said on the disbursement side of it, every single check that is written has a receipt which is in the Friends' office and has to be there in order to write a check. As far as the director signing checks, that has been going on since the former library director, Jane McFarland, was here as convenience because there are checks three times a week that need to be drafted for payments and that's all it is. Examples are the Summer Reading Program which is going forward now so there are lots of little purchases going on. They turn the receipts in to Dianne Long. Mrs. Hurley asked why did we put *ClubLib* through the Friends in the first place rather than directly to the library? Mr. Keown said it might have been a sales tax issue; it could have been a budgeting issue because of the risk of it being cut from the budget if this money was sitting there. Mrs. Hurley said that is what she thinks; we did not want a line item in last year's budget saying income from *ClubLib* because somebody from the City or County could say we can take that.

Mrs. Hurley asked how expensive would it be to create a foundation? Mr. Clapp said when he was on our Board, Mr. Bill Robinson said he could do it very easily. Mr. Cohn asked Mr. Keown if he thinks a foundation would be the best way to solve this problem. Mrs. Hurley said it would just be a holding place. Down the line an advisory group for this foundation could be formed and

Mr. Keown added it could be autonomous as well. Mrs. Hurley said she does not know politically what that would do because certainly you would have to be transparent about it.

Mr. Clapp said our only concern is that for instance, Mrs. Mary Helms is trying to use the money from the fund-raiser for the digitization project and she is arranging contacts with different groups to do different things. If she has the freedom to do that, that means the library is in control of that money. If she does not have the freedom to do it, then she cannot make these arrangements. She would have to do some sort of appeal – can we do this? It might take a month for a Friends' board meeting in order to come to some sort of conclusion. If the money is in an account like a grant for *ClubLib* for a specific purpose, then we can use that money and make arrangements and make plans based on having that money. If it is not treated that way, if it is treated as something that is just money sitting in the Friends' account, it has to be approved by the Friends' executive council in order to move forward, then we don't have any way of knowing whether that money is going to be spent the way we intended to or not. The presumption is yes, it would, but we don't have any guarantee then.

Dr. Clif Cleaveland moved that the Finance Committee investigate the feasibility of establishing a library foundation and report to the Board at a future meeting.

Mr. Turner asked what would be the relationship of that foundation to the Friends or *ClubLib* or anyone else? Would it be an independent foundation? Dr. Cleaveland said yes, and *ClubLib* could be a subset of its activities. There is a great appeal to this, he added. When you are dealing with folks who worry about the politics of budgets, a foundation can be made quite separate from our operating funds. Mrs. Hurley added that we can put our endowment funds there too. Dr. Cleaveland said it could be a very valuable fund-raising tool. The question, Mrs. Hurley said, is who creates the board of the foundation. She supposed the board of the library would create the board of the foundation.

Mr. Clapp said another essential value of the foundation is that it is separate from what is necessary to operate.

Mrs. Doris Kelly seconded Dr. Cleaveland's motion and it was unanimously approved and carried.

Mr. Cohn asked Mr. Keown what other funds are in the Friends' account? He knows that we still have some leftover funds from *A Tale for One City* for instance. Mr. Keown replied that there are a bunch of little things that he thinks totals about \$100,000. About 50% of that is money that has never been accounted for. Mrs. Fahs said Mr. Clapp has access to that and he is spending it down. Mr. Keown said if the library creates a foundation, the Friends would disburse all of the money in the Friends' account that has not been budgeted by the Friends into that foundation to put under someone else's control. Mr. Cohn and Mr. Turner both said they think Mr. Bill Robinson would be willing to help us set this up.

There were no other comments or discussions. Mr. Turner adjourned the meeting at approximately 5:05 p.m.

David Turner
Chair